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SUBJECT: FDP CHIEF WESTERWELLE FAILS TO LEAD PARTY OUT OF CRISIS AT NATIONAL MEETING IN STUTTGART

11. (SBU) Summary: The Free Democratic Party's (FDP) traditional Three Kings gathering in Stuttgart (January 5-6) is one of the first major national political conventions in the new year and generates a lot of media interest. National Party Chief Guido Westerwelle was under pressure to deliver a speech guiding his party out of its current crisis. Although he satisfied many delegates by presenting a clear list of policy themes, including a return to free market economic ideas, social welfare reform, and better education, Westerwelle disappointed many with an overly-idealistic view that the FDP should try to be a large "party of the people" like the Christian Democratic Union (CDU) or the Social Democratic Party (SPD). FDP floor leader Wolfgang Gerhardt, generally thought of as a foreign policy expert, actually received the strongest response, occasioning speculation that he could potentially replace Westerwelle (though Gerhardt has repeatedly stated that he is not interested in being party chief). Gerhardt blasted the SPD-Green government's incompetence in economic and foreign affairs, and stressed the relevance of FDP expertise in these areas. Gerhardt also made several pro-U.S. statements. End Summary

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Westerwelle Outlines Five Themes, But Disappoints  
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12. (SBU) Expectations were high on January 6 in Stuttgart. Over a thousand guests and party members at the Stuttgart opera house wanted to hear FDP National Party Chief Guido Westerwelle provide policy direction to lead the party out of its current doldrums. The FDP party's traditional Three Kings gathering in Stuttgart (January 5-6) is one of the first major national political conventions in the new year and generates a lot of media interest. The FDP has been hurt in recent months by a scandal related to North Rhine Westphalia (NRW) party leader Juergen Moellemann's anti-Semitic flyer shortly before the September 2002 national elections. A controversy over the brochure's financing, and Moellemann's quarrels with the Central Council of German Jews damaged the FDP's reputation. A campaign initiated by Westerwelle and Moellemann, seen by many as based more on public relations antics than substance, irritated the party's traditional supporters particularly in the business sector. "Project 18," the failed campaign to get 18 percent of the national vote in September 2002 elections also cost the party credibility. The FDP managed a mere 1.4 percent gain in the 2002 national elections over its dismal 1998 results.

13. (SBU) In his one-hour address, Westerwelle missed a chance to reinvigorate the party. Without mentioning "Project 18," he spent much time defending the FDP as an alternative to the SPD and CDU. Westerwelle said the FDP needed to become a party for all people since liberal ideas are "good for Germany." The FDP should be more broadly based as a party of the people and be at "eye-level" with the CDU and SPD. Other party leaders and supporters have told us that they view this as unrealistic, and that it was thus deeply disappointing for many.

14. (SBU) Westerwelle described five core FDP policy themes: a renewal of free market economics; a reform of Germany's social welfare system -- with the recognition that things could become uncomfortable for awhile; a strengthening of education, including research and development; continuity and dependability in foreign affairs; and a healthy debate on traditional values in Germany (i.e. that traditional values are not old-fashioned, but relevant and essential today). Westerwelle's speech failed, however, to address the FDP's lack of clear policy goals, something that has upset the party's traditional support base. He seemed to be focusing on the ideal, rather than managing the party's current difficulties.

15. (U) On economic issues, Westerwelle called for tax reductions to stimulate growth and a withdrawal of state involvement in the private sector. He criticized the national government's holding of shares in over 400 private enterprises. Westerwelle also demanded more flexibility in the labor market, restructuring of the social welfare system, and a more flexible tariff system. He also stated the party should point out the positive impacts of

globalization. On state support, Westerwelle emphasized that whoever receives financial or educational support from the state should have to make a contribution back to the state, but did not outline specifics. Westerwelle also suggested the reintroduction of demographic factors in the pension and healthcare systems to more accurately assess the impact of an aging population with fewer younger workers to support it.

16. (U) On foreign policy, Westerwelle stressed the need to act as a reliable alliance partner. He chastised Schroeder for using the misleading phrase "German way." Germany's foreign policy must be compatible with European foreign policy. He also stated that there is not "too much America in international politics but rather not enough Europe." Westerwelle received polite applause for his one-hour address.

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The Resurrection of Wolfgang Gerhardt  
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17. (SBU) The best speech of the day was delivered by FDP Bundestag floor leader Wolfgang Gerhardt, who received a standing ovation. In a rousing address, Gerhardt asserted the liberal principles the FDP should stand for. The overburdened social welfare systems must be cut back: they are the biggest obstacles to creating new jobs. He demanded more individual responsibility, a renewal of free market economics, improvements in education, a reshaping of Germany's social systems, fair competition and international cooperation in foreign policy matters. He pointed out that he agrees with Westerwelle that the FDP has to increase its membership, but without compromising the party's character or traditional principles.

18. (SBU) Gerhardt sharply attacked the SPD-Green national government for allegedly hiding the extent of the country's budget deficits before the election. He predicted that the next national budget is already out of balance since it is based on faulty economic predictions. In reference to the upcoming state elections in Hesse and Lower Saxony, Gerhardt called out to the audience "Vote yourself free on February 2!" He described Schroeder as the most unprincipled Chancellor since the beginning of the Federal Republic.

19. (SBU) Gerhardt also delivered several strong pro-U.S. statements. He reminded the audience of the "Speech of Hope," delivered by U.S. State Secretary James F. Byrnes on September 6, 1946 at the Stuttgart opera house which encouraged German citizens after the devastation of war. Gerhardt said that gratitude has to remain an aspect of foreign policy. He chastised Schroeder and Foreign Minister Fischer for using anti-American rhetoric in their election campaign and damaging Germany's reputation abroad. "American soldiers died to save us from the Nazis, and we must never forget that," he said, "A former U.S. President, the first President Bush, supported our reunification when we needed help." Concerning Iraq, Gerhardt noted that his party would support an intervention without a UN mandate but that differences of opinion with the U.S. could be managed in a friendlier atmosphere.

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A Bad Day for Doering  
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110. (SBU) Along with Westerwelle, another leading FDP politician had a bad day. On January 5, at the traditional Baden-Wuerttemberg (B-W) state party convention preceding the annual Three Kings Gathering, B-W State Chair and Economic Minister Walter Doering got a black eye from his rank and file in his bid to remain State Chair, receiving nearly 20 percent less support than in 2001. Although he was reelected for another two years to lead the B-W FDP, Doering received only 77 percent of the votes and was visibly disappointed. Contacts told us that many delegates are still upset over the B-W government coalition agreement reached with the CDU in which FDP issues are almost non-existent.

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COMMENT  
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111. (SBU) Comment: The 2003 Three Kings Meeting in Stuttgart was not the much awaited turning point for the FDP. Westerwelle could not - or did not want - to deliver a speech that would carve out big themes for the future. Instead, he seemed determined to continue with the strategy of turning the FDP into a "people's party" with a larger base like the CDU or SPD. "It is not the objective of the FDP to support one of the other two big parties." In the wake of the failed "18 percent" campaign, this seems to many supporters overly optimistic. However, with two important state elections (Hesse and Lower Saxony) on February 2, the

assembled leadership of the FDP could do little else than demonstrate solidarity with Westerwelle.

112. (SBU) Comment - Continued: How long this solidarity will last will depend on the outcome of the February 2 state elections. With his fiery and well-received speech in Stuttgart, Gerhardt has revived speculation that he may be an alternative to Westerwelle. It was also noteworthy that several of the speakers mentioned the importance of the German-U.S. relationship and the need to improve transatlantic relations in the wake of Schroeder's damaging comments during the campaign last year. End Comment

113. (U) This message has been coordinated with Embassy Berlin.

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